LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7797 | **NOTE PREPARED:** Jan 17, 2007
BILL NUMBER: SB 456 | **BILL AMENDED:**

SUBJECT: Outsourcing Relief.

FIRST AUTHOR: Sen. Simpson | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: *Legislative Council Approval:* The bill requires approval by the Legislative Council of state contracts that: (1) result in outsourced employees; and (2) total at least $10 M.

State Agency Contracting: The bill provides that a contract entered into by a state agency may not be for a period of more than four years unless a statute specifically provides otherwise.

Indiana Business Preference: It also requires a state agency to award contracts to Indiana businesses unless the Indiana business: (1) is not the lowest bidder; or (2) cannot perform the contract.

Disclosure to the Indiana Department of Administration: The bill requires a person that bids on a state contract to disclose certain information concerning outsourced workers to the Indiana Department of Administration.

Outsourced State Employees: It requires a financial institution to defer principal payments for up to 12 months on a mortgage or vehicle loan held by an outsourced employee of the state or a state educational institution. It also requires the State Student Assistance Commission to administer a program of low-interest loans to outsourced employees or dependents of outsourced employees who are full-time students at a state educational institution to pay tuition and regularly assessed fees.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Summary:* The bill will result in indeterminate, but potentially increased expenditures for state and local government by limiting the length of service contracts and by setting a preference for Indiana businesses. Additionally, the Emergency Tuition Assistance Program for outsourced employees of the state or state educational institutions will use state General Fund dollars.

State Agency Contracting: The bill could have indeterminate increased fiscal impact to the extent that a contract for a service for a period longer than four years could provide cost savings. There is no information available to calculate the value of discounts lost if contracts are no longer than four years. Data on active contracts as of September 27, 2006, indicates that the average length of professional services contract is about 8.4 years. The term of contracts for supplies is already limited to 4 years.

Indiana Business Preference: Also, under current law there are sections concerning preferences for Indiana business for public works and purchasing. Under the bill, sections are added establishing a preference for Indiana businesses for the purchase of services by a governmental body, for the Indiana Ports Commission, and for state highway contracts.

For existing sections, the definition of an Indiana business is modified to remove businesses that make significant capital investments in Indiana and businesses that have substantial positive economic impact on Indiana. The definition of Indiana business as amended or added by the bill includes a business that the principal place of business is in Indiana, a business that pays the majority of its payroll to residents of Indiana, or a business that the majority of employees are Indiana residents.

Under current law, certain price preferences are given to Indiana businesses for public works contracts. Under the bill, the preferences are removed for the existing sections and for all sections Indiana business would be awarded a contract unless the Indiana business is not the lowest responsive and responsible contractor or is unable to perform the work. A vendor preference could potentially increase contract costs to the extent that it reduces the pool of potential bidders for product and service contracts.

Outsourced State Employees: The bill establishes the Emergency Assistance Tuition Program to provide low-interest loans from the state General Fund to eligible full-time students. The State Student Assistance Commission is to administer the program and may adopt rules to set guidelines for making loans and for the process by which the loan interest rate will be determined. Ultimately, the expense of the program will depend on appropriations and the number of people who apply for loans, the interest rate charged, and the number of defaults.

Explanation of State Revenues:

Explanation of Local Expenditures: *Indiana Business Preference:* Local units entering into service contract will be affected by preferences for Indiana business. (See *Explanation of State Expenditures* above.)

Explanation of Local Revenues:

State Agencies Affected: Legislative Council; Department of Administration; State educational institutions issuing contracts; Indiana Department of Transportation; Indiana Ports Commission.

Local Agencies Affected: Local units purchasing services.

Information Sources:

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